

Matzikama
MUNICIPALITY
matzikama



FINANCIAL STATEMENTS

30 JUNE 2010

MATZIKAMA MUNICIPALITY

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MATZIKAMA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Matzikama Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The Matzikama Municipality includes the following areas:

Vredendal
Vanrhynsdorp
Klawer
Koekenaap
Lutzville
Ebenhaezer
Strandfontein
Doringbaai

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	P G Bok
Deputy Executive Mayor	I F Julie
Executive Councillor	J Kriel
Speaker	D D Jenner
Councillor	S C S Beukes
Councillor	M Cornelius
Councillor	D S Goedeman
Councillor	W D Loff
Councillor	B Mantame
Councillor	D Scholtz
Councillor	G J van Wyk
Councillor	M C Witbooi
Councillor	J Smit

MUNICIPAL MANAGER

D G I O'Neill

CHIEF FINANCIAL OFFICER

L J Bruwer

REGISTERED OFFICE

37 Church Street, Vredendal, 8160

AUDITORS

Auditor-General, Private Bag X1, Chempet, 7442

PRINCIPLE BANKERS

ABSA Bank

ATTORNEYS

Swanepoel and Swanepoel Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

MATZIKAMA MUNICIPALITY

MEMBERS OF THE MATZIKAMA MUNICIPALITY

WARD	COUNCILLOR
1	M C Witbooi
2	D S Goedeman
3	S C S Beukes
4	P G Bok (Executive Mayor)
5	M Cornelius
6	D Scholtz
7	D D Jenner (Speaker)
Proportional	J M Kriel (Executive Councillor)
Proportional	W D Loff
Proportional	G J van Wyk
Proportional	I F Julies (Deputy Executive Mayor)
Proportional	B Mantame
Proportional	J Smit

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 70 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

D G I O'Neill
Municipal Manager

Date

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		155 005 070	139 970 061
Capital Replacement Reserve	2	3 300 000	6 040 000
Housing Development fund	2	464 102	807 384
Accumulated Surplus/(Deficit)		151 240 968	133 122 676
Non-Current Liabilities		50 354 744	32 805 804
Long-term Liabilities	3	29 442 421	17 577 828
Employee benefits	4	12 503 505	9 237 767
Non-Current Provisions	5	8 408 817	5 990 209
Current Liabilities		28 388 959	26 361 389
Consumer Deposits	6	2 390 239	2 253 323
Current Employee benefits	7	4 143 694	3 383 272
Provisions	8	2 501 346	2 745 041
Trade and other payables	9	12 507 151	10 985 556
Unspent Conditional Government Grants and Receipts	10	2 337 700	3 842 298
Lease Accrual	18.1	54 768	77 753
Current Portion of Long-term Liabilities	3	4 454 060	3 074 146
Total Net Assets and Liabilities		233 748 773	199 137 254
ASSETS			
Non-Current Assets		194 754 740	161 283 769
Property, Plant and Equipment	12	179 131 656	146 034 270
Investment Property	12	14 038 290	14 038 290
Intangible Assets	13	871 842	472 307
Long-Term Receivables	14	712 952	738 902
Current Assets		38 994 033	37 853 485
Inventory	15	1 923 487	2 035 371
Trade Receivables from exchange transactions	16	21 896 403	19 341 384
Other Receivables from non-exchange transactions	17	1 151 903	1 210 616
Unpaid Conditional Government Grants and Receipts	10	7 284 925	4 016 458
Prepaid Lease	18.2	14 095	30 250
Taxes	11	1 000 843	1 461 190
Current Portion of Long-term Receivables	14	25 950	30 972
Cash and Cash Equivalents	19	5 696 427	9 727 245
Total Assets		233 748 773	199 137 254

MATZIKAMA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Actual) R
REVENUE			
Revenue from Non-exchange Transactions		75 006 265	98 318 149
Taxation Revenue		17 157 089	14 718 631
Property taxes	20	17 157 089	14 718 631
Transfer Revenue		56 344 528	76 633 540
Government Grants and Subsidies - Capital	21	26 891 506	18 441 444
Government Grants and Subsidies - Operating	21	29 453 022	55 663 307
Public Contributions and Donations		-	2 528 789
Other Revenue		1 504 649	6 965 978
Fines		1 504 649	2 552 099
Other		-	4 413 879
Revenue from Exchange Transactions		73 981 457	62 100 242
Service Charges	22	64 320 257	49 749 683
Rental of Facilities and Equipment	23	3 006 385	2 279 586
Interest Earned - external investments		736 747	1 424 212
Interest Earned - outstanding debtors		1 554 005	1 674 003
Licences and Permits		9 522	5 261
Agency Services		1 945 559	3 263 016
Other Income	24	2 408 981	2 213 682
Unamortised Discount - Interest		-	1 490 799
Total Revenue		148 987 723	160 418 391
EXPENDITURE			
Employee related costs	26	(42 773 760)	(36 003 830)
Remuneration of Councillors	27	(3 228 052)	(3 264 953)
Debt Impairment	28	(4 351 086)	-
Collection Cost		(58 983)	(69 270)
Depreciation and Amortisation	29	(13 314 982)	(10 590 532)
Repairs and Maintenance		(13 555 212)	(15 298 061)
Unamortised Discount - Interest		(1 455 454)	(513 577)
Actuarial losses	4	(3 040 884)	(88 388)
Finance Charges	30	(3 206 436)	(3 267 117)
Bulk Purchases	31	(30 760 233)	(23 281 057)
Contracted services		(700 116)	(27 175)
Grants and Subsidies Paid	32	(372 114)	(852 216)
Other Operating Grant Expenditure		(6 681 162)	(21 829 574)
General Expenses	33	(10 630 441)	(9 341 010)
Total Expenditure		(134 128 915)	(124 426 761)
Operating Surplus for the Year		14 858 808	35 991 630
Gain on disposal of Property, Plant & Equipment/Investment Property (Impairment Loss)/Reversal of Impairment Loss		176 201	268 003
Fair Value Adjustments	25	-	(57 933)
		-	(128 491)
NET SURPLUS/(DEFICIT) FOR THE YEAR		15 035 009	36 073 209

MATZIKAMA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2008	1 496 732	-	104 132 347	105 629 079
Correction of error - See Note 34.4	-	-	(1 042 880)	(1 042 880)
Restated Balance at 1 JULY 2008	1 496 732	-	103 089 467	104 586 199
Net Surplus/(Deficit) for the year	(689 347)	-	34 202 860	33 513 513
Contribution to CRR		6 040 000	(6 040 000)	-
Balance at 30 JUNE 2009	807 385	6 040 000	131 252 327	138 099 712
Correction of error - See Note 34.7	-	-	1 870 349	-
Restated Balance at 1 JULY 2009	807 385	6 040 000	133 122 676	138 099 712
Net Surplus/(Deficit) for the year	-	-	15 035 009	15 035 009
Expenditure to Housing Development Fund	(343 283)	-	343 283	-
Property, Plant and Equipment purchased	-	(8 181 398)	8 181 398	-
Contribution to CRR	-	5 441 398	(5 441 398)	-
Balance at 30 JUNE 2010	464 102	3 300 000	151 240 968	153 134 720

MATZIKAMA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	30 JUNE 2010 R	30 JUNE 2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		141 112 235	152 604 959
Cash paid to suppliers and employees		118 250 780	104 132 392
Cash generated by operations	35	31 563 626	48 472 567
Interest Received		2 290 753	3 098 215
Unamortised discount - Interest - Revenue		-	1 490 799
Gains on disposal of property, plant and equipment		176 201	268 003
Unamortised discount - Interest - Expenditure		(1 455 454)	(513 577)
Interest Paid		(3 206 436)	(3 267 117)
Net Cash from Operating Activities		29 368 690	49 548 889
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(46 356 918)	(43 900 939)
(Increase)/Decrease of Investment property	12	-	182 000
(Increase)/Decrease in Intangible Assets	12	(454 985)	(483 333)
(Increase)/Decrease in Long-term Receivables	14	30 972	124 555
Net Cash from Investing Activities		(46 780 931)	(44 077 717)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans(repaid)		(1 755 492)	(3 263 971)
New loans raised		15 000 000	6 000 000
Increase/(Decrease) in Consumer Deposits		136 916	377 744
Net Cash from Financing Activities		13 381 423	3 113 774
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents at the beginning of the year		(4 030 818)	8 584 945
Cash and Cash Equivalents at the end of the year	36	9 727 245	1 142 300
		5 696 427	9 727 245
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4 030 818)	8 584 945

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 17 – Property, Plant and Equipment

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

**ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2010**

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

7. RESERVES

7.1 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

7.2 *Revaluation Reserve*

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

8. LEASES

8.1 *Municipality as Lessee*

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

8.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

9. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

10. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12. EMPLOYEE BENEFITS

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

(a) Pension obligations

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

13. PROPERTY, PLANT AND EQUIPMENT

13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

13.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

13.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

13.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and	
<u>Community</u>		Equipment	10-15
Buildings	30	Other plant and	
Recreational Facilities	20-30	Equipment	2-5
Security	5	Landfill sites	15
Halls	20-30	Quarries	25
Libraries	20-30	Emergency equipment	10
Parks and gardens	15-20	Computer equipment	3
Other assets	15-20		
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

Other assets	5
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The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), and an impairment loss is charged to the Statement of Financial Performance.

13.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

14. INTANGIBLE ASSETS

14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

14.3 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY

15.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

The cost of self-constructed investment property is the cost at date of completion.

15.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

15.5 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

16.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

17. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

19. INVENTORIES

19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

20.1 Initial Recognition

Financial instruments are initially recognised at fair value.

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised

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impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

20.3 Derecognition of Financial Instruments

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

20.5 Impairment of Financial Assets

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

21. REVENUE

21.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

21.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

21.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management

ACCOUNTING POLICY FOR MATZIKAMA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2010

personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. CONTINGENT LIABILITIES

Contingent liabilities existent at the reporting date are reflected in the financial statements.

27. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, changes and the treatment of assets financed by external grants.

INSERT ACCOUNTING POLICY

[Accounting Policy GRAP 2010](#)

**MATZIKAMA
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	3 764 102	6 847 384
Housing Development fund	3 300 000 464 102	6 040 000 807 384
Total Net Asset Reserve and Liabilities	3 764 102	6 847 384

2.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

2.2 The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not cash backed.

2.3 The Donations and Public Contributions Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not cash backed.

2.4 The Employee Benefits Reserve is used to finance future payment of employee benefits.

2.5 The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

2.6 The Non-Current Provisions Reserve is used to finance future payment of non-current provisions.

2.7 The Revaluation Reserve is created by surplus arising from the revaluation of property, plant and equipment.

2.8 The Self Insurance Reserve is used to finance future insurance claims.

2.9 The Social Contribution Reserve is used to finance committed social contributions.

2.10 The Valuation Roll Reserve is used to finance future general valuations of properties as prescribed by the Municipal Properties Rates Act.

	2010 R	2009 R
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	36 718 928	24 929 875
<u>Less:</u> Current Portion transferred to Current Liabilities	(4 454 060)	(3 074 146)
	32 264 867	21 855 729
<u>Plus:</u> Unamortised charges on loans	(2 822 446)	(4 277 901)
Balance 1 July	(4 277 901)	(3 300 679)
Adjustment for the period	1 455 455	513 577
Correction of Error - Refer to Note 34.6	-	(1 490 799)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	29 442 421	17 577 828

Annuity loans at amortised cost is calculated at 6.75%-11.14% interest rate, with first maturity date of 30 June 2012 and last maturity date of 30 June 2020. Refer to Appendix A.

	2010 R	2009 R
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	10 640 916	8 647 002
Long Service Awards - Refer to Note 4.2	1 862 589	590 765
Total Non-current Employee Benefit Liabilities	12 503 505	9 237 767

	2010 R	2009 R
<u>Post Retirement Benefits</u>		
Balance 1 July	9 199 086	8 743 226
Contribution for the year	986 804	872 568
Expenditure for the year	(617 200)	(492 442)
Actuarial Loss/(Gain)	1 703 258	75 734
Total post retirement benefits 30 June	11 271 948	9 199 086
<u>Less:</u> Transfer of Current Portion - Note 7	(631 032)	(552 084)
Balance 30 June	10 640 916	8 647 002

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Long Service Awards</u>		
Balance 1 July	671 621	587 152
Contribution for the year	159 463	124 913
Expenditure for the year	(163 694)	(53 099)
Actuarial Loss/(Gain)	1 337 626	12 654
Total long service 30 June	2 005 016	671 620
Less: Transfer of Current Portion - Note 7	(142 427)	(80 855)
Balance 30 June	1 862 589	590 765

	2010 R	2009 R
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	9 870 707	9 330 378
Contribution for the year	1 146 267	997 481
Expenditure for the year	(780 894)	(545 541)
Actuarial Loss/(Gain)	3 040 884	88 388
Total employee benefits 30 June	13 276 964	9 870 706
Less: Transfer of Current Portion - Note 7	(773 459)	(632 939)
Balance 30 June	12 503 505	9 237 767

4

EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	88	74
Continuation members (e.g. Retirees, widows, orphans)	30	28
Total Members	118	102

The liability in respect of past service has been estimated to be as follows:

In-service members	2 576 000	1 769 000
Continuation members	8 695 948	7 430 086
Total Liability	11 271 948	9 199 086

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwomed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R 290 512, whereas the Interest- Cost for the next year is estimated to be R 1 000 194.

	2010 %	2009 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.12%	9.19%
Health Care Cost Inflation Rate	7.20%	7.33%
Net Effective Discount Rate	1.79%	1.74%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.		

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	10 640 916	8 647 001
Net liability/(asset)	10 640 916	8 647 001

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	9 199 086	8 743 226
Total expenses	369 604	380 125
Current service cost	166 222	173 109
Interest Cost	820 582	699 458
Benefits Paid	(617 200)	(492 442)
Actuarial (gains)/losses	1 703 258	75 734
Present value of fund obligation at the end of the year	11 271 948	9 199 085
<u>Less:</u> Transfer of Current Portion - Note 7	(631 032)	(552 084)
Balance 30 June	10 640 916	8 647 001

4 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2.576	8.696	11.272	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.235	9.605	12.840	14%
Health care inflation	-1%	2.065	7.911	9.977	-11%
Post-retirement mortality	-1 year	2.657	9.011	11.668	4%
Average retirement age	-1 year	2.791	8.696	11.487	2%
Withdrawal Rate	-50%	2.959	8.696	11.655	3%

2010
R

2009
R

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 330 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 248 148, whereas the Interest cost for the next year is estimated to be R 177 252.

		2010 %	2009 %
Key actuarial assumptions used:			
i) Rate of interest			
Discount rate		9.16%	9.22%
General Salary Inflation (long-term)		6.48%	6.76%
Net Effective Discount Rate applied to salary-related Long Service Bonuses		2.52%	2.31%

2010
R

2009
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 862 589	590 766
Net liability/(asset)	1 862 589	590 766
2010 R		

2010
R

2009
R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	671 621	587 152
Total expenses	(4 231)	71 815
Current service cost	101 161	77 942
Interest Cost	58 302	46 972
Benefits Paid	(163 694)	(53 099)
Actuarial (gains)/losses	1 337 626	12 654
Present value of fund obligation at the end of the year	2 005 016	671 621
<u>Less:</u> Transfer of Current Portion - Note 7	(142 427)	(80 855)
Balance 30 June	1 862 589	590 766

Sensitivity Analysis on the Unfunded Accrued Liability

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Assumption	Change	Liability (Rm)	% change
Central assumptions		2.005	
General salary inflation	1%	2.176	9%
General salary inflation	-1%	1.854	-8%
Average retirement age	-2 yrs	1.866	-7%
Average retirement age	2 yrs	2.166	8%
Withdrawal rates	-50%	2.442	20%

4.3 Retirement Funds

Both the Cape Joint Pension fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of IAS 19, multi-employer plans are defined as defined benefit plans. IAS 19 also state that when sufficient information is not available to use defined accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in IAS 19.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined plans, it will be accounted for as defined contribution plans.

4.4 Cape Joint Pension Fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

4.5 Cape Joint Retirement Fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).

4.6 Municipal Councillors Pension

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

	2010	2009
	R	R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	8 408 817	5 990 209
Total Non-current Employee Benefit Liabilities	8 408 817	5 990 209
 <u>Landfill Sites</u>		
Balance 1 July	8 735 250	5 044 509
Contribution for the year	2 174 913	3 690 741
Total provision 30 June	10 910 163	8 735 250
Less: Transfer of Current Portion to Current Provisions - Note 7	(2 501 346)	(2 745 041)
Balance 30 June	8 408 817	5 990 209

In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs of R 15.022 million to restore the sites at the end of their useful lives, estimated to be in 2018 to 2023. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

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	2010 R	2009 R
6 CONSUMER DEPOSITS		
Water and Electricity	2 390 239	2 253 323
Total Consumer Deposits	<u>2 390 239</u>	<u>2 253 323</u>
Guarantees held in lieu of Electricity and Water Deposits	-	-
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
7 CURRENT EMPLOYEE BENEFITS	2010 R	2009 R
Current Portion of Post Retirement Benefits - Note 4	631 032	552 084
Current Portion of Long-Service Provisions - Note 4	142 427	80 855
Performance Bonuses	401 640	212 401
Bonuses	1 198 978	969 883
Staff Leave	1 614 105	1 529 500
Pension	37 397	38 549
2.5% Salary Allowance	118 115	-
Total Current Employee Benefits	<u>4 143 694</u>	<u>3 383 272</u>
The movement in current employee benefits are reconciled as follows:		
<i>Performance Bonuses</i>	2010 R	2009 R
Balance at beginning of year	212 401	172 404
Contribution to current portion	401 640	212 401
Expenditure incurred	(212 401)	(172 404)
Balance at end of year	<u>401 640</u>	<u>212 401</u>
Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
<i>Bonuses</i>	2010 R	2009 R
Balance at beginning of year	969 883	928 969
Contribution to current portion	1 198 978	969 883
Expenditure incurred	(969 883)	(928 969)
Balance at end of year	<u>1 198 978</u>	<u>969 883</u>
Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<i>Staff Leave</i>	2010 R	2009 R
Balance at beginning of year	1 529 500	1 223 108
Contribution to current portion	238 336	497 859
Expenditure incurred	(153 730)	(191 468)
Balance at end of year	<u>1 614 105</u>	<u>1 529 500</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<i>Pension</i>	2010 R	2009 R
Balance at beginning of year	38 549	38 549
Contribution to current portion	-	-
Expenditure incurred	(1 152)	-
Balance at end of year	<u>37 397</u>	<u>38 549</u>
Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.		
<i>2.5% Salary Allowance</i>	2010 R	2009 R
Balance at beginning of year	118 115	-
Contribution to current portion	-	-
Expenditure incurred	-	-
Balance at end of year	<u>118 115</u>	<u>-</u>
An agreement was reached on the implementation of financial grading structure with back pay to be paid in the 2010/2011 financial year for nine months of the 2009/2010 financial year. There is no possibility of reimbursement.		

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	2010 R	2009 R
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites	2 501 346	2 745 041
Pre-Paid Electricity Sales	-	-
Balance previously reported	-	159 959
Correction of Error - refer to notes 9 and 34.1	(159 959)	-
Total Provisions	2 501 346	2 745 041
<u>Rehabilitation for Landfill Sites</u>		
Balance at beginning of year	2 745 041	2 187 280
Transfer from non-current	2 501 346	2 745 041
Contribution to current portion	-	-
Expenditure incurred	(2 745 041)	(2 187 280)
Balance at end of year	2 501 346	2 745 041
9 TRADE AND OTHER PAYABLES		
Trade Payables	3 193 987	3 073 047
Pre-paid electricity	241 367	159 959
Balance previously reported	-	-
Correction of Error - refer to notes 8 and 34.2	159 959	-
Sundry Creditors	6 027 024	5 073 685
Payments received in advance	661 170	771 776
Retentions	1 882 891	1 394 529
Sundry Deposits	500 712	512 559
Total Trade Payables	12 507 151	10 985 556
Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.		
Sundry deposits include Hall, Builders and Cemetery Deposits.		
10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants		
National and Provincial Government Grants	2 337 700	3 842 298
Other Sources	2 081 228	3 259 061
	256 472	583 237
Less: Unpaid Grants		
National and Provincial Government Grants	7 284 925	4 016 458
Other Sources	6 584 366	3 315 204
	700 559	701 254
Total Conditional Grants and Receipts	(4 947 225)	(174 159)
See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
11 TAXES		
VAT Payable	-	-
VAT Receivable	1 000 843	1 461 190
	1 000 843	1 461 190

VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

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	2010 R	2009 R
12 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	14 038 290	14 038 290
Balance previously reported - Fair Value	14 038 290	14 012 910
Correction of Error - refer to note 34.5	25 380	-
Acquisitions	-	-
Disposals	-	-
Depreciation for the year	-	-
Impairment	-	-
Transfers from Inventory	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	14 038 290	14 038 290
Fair Value	14 038 290	14 038 290
Investment Property consist of open land.		
13 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	472 307	-
Cost	483 333	1 084 039
Correction of Error - refer to note 34.8	(11 027)	(1 084 039)
Accumulated Amortisation	-	(310 144)
Correction of Error - refer to note 34.8	310 144	-
Acquisitions	454 985	483 333
Amortisation	(55 450)	(11 026)
Net Carrying amount at 30 June	871 842	472 307
Cost	938 318	483 333
Accumulated Amortisation	(66 477)	(11 027)
14 LONG TERM RECEIVABLES		
Housing Selling Scheme Loans	738 902	769 874
Balance previously reported	-	776 362
Correction of Error - Refer to note 34.10	-	(6 488)
Less: Current portion transferred to current receivables	(25 950)	(30 972)
Less: Provision for Impairment of Long Term Receivables	712 952	738 902
Total Long Term Receivables	712 952	738 902
HOUSING LOANS		
Housing loans are not granted to officials of the municipality, it is in respect of the old housing schemes. The outstanding amount relates to prior years and is still collectable. Housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years.		
15 INVENTORY		
Consumable Stores - At cost	47 063	95 725
Water - At purification cost	105 627	110 736
Graves - At cost	62 400	115 325
Niss Wall - At cost	176 800	176 800
Refuse Wheelie Bins - At cost	24 400	29 200
Housing inventory held for transfer - At cost	1 243 244	1 243 244
Balance previously reported	-	1 310 684
Correction of Error - refer to note 34.3	-	(67 440)
Land held for resale - At cost	263 953	264 340
Balance previously reported	-	264 778
Correction of Error - refer to note 34.3	-	(438)
Total Inventory	1 923 487	2 035 371

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		2010 R	2009 R
16	TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		28 378 221	24 733 408
<i>Other Receivables</i>			
Sundry Receivables		1 943 711	2 481 669
Total Trade Receivables from Exchange Transactions (before provision)		30 321 932	27 215 076
Less: Allowance for Doubtful Debts		(8 425 529)	(7 873 692)
Total Net Receivables from Exchange Transactions		21 896 403	19 341 384
		2010 R	2009 R
	Ageing of Receivables from Exchange Transactions		
	<i>(Service Debtors): Ageing</i>		
Current (0 - 30 days)		10 718 324	8 430 540
31 - 60 Days		1 248 492	1 258 414
61 - 90 Days		909 714	946 462
91 - 120 Days		758 704	848 435
+ 120 Days		14 742 987	13 249 556
Total		28 378 221	24 733 408
	Ageing of Receivables from Exchange Transactions By Income Source		
	<i>(Water): Ageing</i>		
Current (0 - 30 days)		1 076 093	
31 - 60 Days		157 138	
61 - 90 Days		121 948	
91 - 120 Days		142 169	
+ 120 Days		1 682 260	
Total		3 179 608	
	<i>(Electricity): Ageing</i>		
Current (0 - 30 days)		3 892 691	
31 - 60 Days		115 597	
61 - 90 Days		88 391	
91 - 120 Days		84 278	
+ 120 Days		453 753	
Total		4 634 710	
	<i>(Refuse): Ageing</i>		
Current (0 - 30 days)		803 478	
31 - 60 Days		107 336	
61 - 90 Days		94 526	
91 - 120 Days		86 821	
+ 120 Days		1 559 923	
Total		2 652 083	
	<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)		1 343 130	
31 - 60 Days		187 079	
61 - 90 Days		152 864	
91 - 120 Days		139 737	
+ 120 Days		2 694 752	
Total		4 517 561	
	<i>(Other): Ageing</i>		
Current (0 - 30 days)		3 602 932	
31 - 60 Days		681 343	
61 - 90 Days		451 985	
91 - 120 Days		305 699	
+ 120 Days		8 352 300	
Total		13 394 259	
	Ageing of Receivables from Exchange Transactions By Consumer Group		
	<i>(Government): Ageing</i>		
Current (0 - 30 days)		106 271	
31 - 60 Days		4 282	
61 - 90 Days		4 127	
91 - 120 Days		3 491	
+ 120 Days		216 359	
Total		334 530	

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(Business): Ageing

Current (0 - 30 days)	393 737
31 - 60 Days	40 328
61 - 90 Days	20 203
91 - 120 Days	13 339
+ 120 Days	46 535
Total	514 142

(Household): Ageing

Current (0 - 30 days)	8 422 439
31 - 60 Days	989 290
61 - 90 Days	714 724
91 - 120 Days	604 411
+ 120 Days	12 928 759
Total	23 659 623

(Other): Ageing

Current (0 - 30 days)	1 795 877
31 - 60 Days	214 591
61 - 90 Days	170 659
91 - 120 Days	137 463
+ 120 Days	1 551 336
Total	3 869 926

17 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2010	2009
	R	R
Other Receivables		
Electricity Deposits	131 433	46 277
Suspense Debtors	1 020 470	1 164 339
Total Other Receivables	1 151 903	1 210 616
Less: Allowance for Doubtful Debts	-	-
Total Net Receivables from Non-Exchange Transactions	1 151 903	1 210 616

Trade and other receivables impaired

2010	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	(8 425 529)	-	(8 425 529)
2009	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	(7 873 692)	-	(7 873 692)

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

2010	2009
R	R
Balance at beginning of the year	7 873 692
Contributions to provision	4 351 086
Doubtful debts written off against provision	(3 799 249)
Balance at end of year	8 425 529
	7 873 692

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debt will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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18 OPERATING LEASE ARRANGEMENTS

18.1 Lease Accrual

Balance on 1 July	77 753	54 139
Movement during the year	(22 985)	23 614
Balance on 30 June	54 768	77 753

Matzikama Municipality is leasing a community centre at Klawer, from Transnet (Pty) Ltd for 5 year during the period October 2007 to September 2012 with a escalation of 9% per year.

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	72 293	382 565
1 to 5 Years	98 914	670 162
More than 5 Years	-	-
Total Operating Lease Arrangements	171 207	1 052 727

18.2 Prepaid Lease

Balance on 1 July	30 250	30 696
Operating Lease Asset for the current year	(16 155)	(446)
Balance on 30 June	14 095	30 250

Matzikama Municipality is leasing land and buildings to different rate payers for periods ranging from 36-60 months with escalations of between 6% and 10% per year.

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	41 035	69 912
1 to 5 Years	43 139	90 036
More than 5 Years	-	-
Total Operating Lease Arrangements	84 174	159 948

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for previous ranging until 2013

19 CASH AND CASH EQUIVALENTS

Assets

Primary Bank Account	5 690 677	9 721 495
Cash Floats	5 750	5 750
Total Cash and Cash Equivalents - Assets	5 696 427	9 727 245

The municipality has the following bank accounts:

Current Accounts

ABSA Bank - Account Number 40-5057-5029	5 670 615	9 721 495
ABSA Bank - Account Number 40-7513-2844	1 900	-
ABSA Bank - Account Number 40-7512-9982	17 747	-
ABSA Bank - Account Number 40-7554-5657	415	-
	5 690 677	9 721 495

ABSA Bank - Account Number 40-5057-5029

Cash book balance at beginning of year	9 721 495	1 136 750
Cash book balance at end of year	5 670 615	9 721 495

Bank statement balance at beginning of year

Bank statement balance at beginning of year	12 911 831	6 026 052
Bank statement balance at end of year	6 625 173	12 911 831

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.
(See Appendix "F" for a reconciliation of all grants).

	2010 R	2009 R
22 SERVICE CHARGES		
Electricity	43 054 379	31 083 040
Service Charges	43 675 441	31 506 364
<u>Less:</u> Rebates	(621 061)	(423 324)
Water	8 904 832	7 410 633
Service Charges	10 529 855	8 910 766
<u>Less:</u> Rebates	(1 625 022)	(1 500 133)
Refuse removal	4 757 372	5 346 825
Service Charges	7 042 285	6 841 436
<u>Less:</u> Rebates	(2 284 913)	(1 494 611)
Sewerage and Sanitation Charges	7 603 674	5 909 185
Service Charges	11 399 424	8 595 471
<u>Less:</u> Rebates	(3 795 750)	(2 686 286)
Other Service Charges	-	-
Total Service Charges	64 320 257	49 749 683
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
23 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities and equipment	3 006 385	2 279 539
Other Rentals	46	46
Total Rental of Facilities and Equipment	3 006 385	2 279 586
24 OTHER INCOME		
Advertising Signs	2 352	2 352
Application Fees - Town Planning	21 760	34 052
Building Plan Fees	113 854	152 200
Cemetery	379 566	336 402
Cemetery Digging	16 974	19 456
Driveways	2 899	11 007
Electricity Connections	-	2 105
Encroachments	30 981	37 412
Housing Redeemed	101 858	110 414
Photocopies	19 528	19 825
Refuse Bags	169	846
Roadworthy Certificates	472 224	520 796
Sundry Income - Finance	1 077 654	385 907
Valuation Certificates	169 162	50 249
Provision for Debt impairment adjustment	-	530 659
Total Other Income	2 408 981	2 213 682
25 FAIR VALUE ADJUSTMENTS		
Profit/(Loss) on Fair Value Adjustments	-	(128 491)
	-	(128 491)
	2010 R	2009 R
26 EMPLOYEE RELATED COSTS		
Bonus	1 600 618	1 182 284
Provision for Leave	238 336	497 859
Contribution to provision - Long Service Awards - Note 4	(4 231)	71 814
Contribution to provision - Post Retirement Medical - Note 4	369 604	380 126
Employee related costs - Salaries and Wages	29 507 352	25 449 632
Housing Subsidy	204 568	582 497
Overtime	1 530 577	1 313 946
Employee related costs - Contributions for UIF, pensions and medical aids	6 819 219	4 411 808
Travel, motor car, telephone, assistance and other allowances	2 507 718	2 113 864
Total Employee Related Costs	42 773 760	36 003 830

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
KEY MANAGEMENT PERSONNEL

Director: Corporate Services is appointed on a 2-year and the Municipal Manager and all the other Directors have 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

	2010 R	2009 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	876 829	775 955
Performance Bonuses	94 647	50 154
Total	971 476	826 109
<i>Remuneration of the Deputy Director Technical Services</i>		
Annual Remuneration	626 229	141 712
Performance Bonuses	31 624	35 760
Total	657 853	177 472
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	508 500	332 344
Performance Bonuses	39 288	-
Total	547 788	332 344
<i>Remuneration of the Director Community Services</i>		
Annual Remuneration	550 705	487 350
Performance Bonuses	56 835	40 500
Total	607 540	527 850
<i>Remuneration of the Director Financial Services</i>		
Annual Remuneration	625 356	553 413
Performance Bonuses	64 942	45 990
Total	690 298	599 403
	2010 R	2009 R
27 REMUNERATION OF COUNCILLORS		
Mayor	572 108	534 683
Deputy Mayor	415 100	430 942
Speaker	461 105	430 942
Mayoral Committee Members	433 355	405 007
Councillors	1 346 384	1 463 379
Total Councillors' Remuneration	3 228 052	3 264 953
<i>In-kind Benefits</i>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time Councillors. They are provided with secretarial support and an office each at the cost of the Council. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
28 DEBT IMPAIRMENT		
Long term Receivables - Note 14	-	-
Trade Receivables from exchange transactions - Note 16	4 351 086	-
Trade Receivables from non-exchange transactions - Note 16	-	-
Total Contribution to Impairment Provision	4 351 086	-
	2010 R	2009 R
29 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	13 259 532	10 579 504
Intangible Assets	55 450	11 026
Total Depreciation and Amortisation	13 314 982	10 590 530

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
30	FINANCE CHARGES		
	Long-term Liabilities	3 206 436	3 267 117
	Total Finance Charges	3 206 436	3 267 117
31	BULK PURCHASES		
	Electricity	27 986 100	20 814 039
	Water	2 774 134	2 467 018
	Total Bulk Purchases	30 760 233	23 281 057
32	GRANTS AND SUBSIDIES		
	Donations General	149 999	136 817
	Poverty Alleviation	26 631	25 701
	Life Guards	104 512	81 088
	Contribution: Ritelfees	60 000	50 000
	Housing Loans Written Off	30 972	558 611
	Total Grants and Subsidies	372 114	852 216
33	GENERAL EXPENSES		
	Audit Fees	899 422	734 210
	Advertisements	412 553	296 874
	Embellishment of Towns	699 144	427 080
	Bank Charges	272 268	246 428
	Computer charges	699 144	427 080
	Commission Paid	106 998	92 875
	Contributions	249 550	175 675
	Consulting fees	179 335	-
	Service Connection Fees	240 413	625 465
	Development Programmes	181 334	194 458
	Insurance	927 847	734 372
	Printing and stationery	601 581	558 473
	Rental	379 383	360 239
	Public Entertainment	195 966	92 486
	Services	257 044	193 596
	Subscription Fees	343 995	166 564
	Security Costs	355 855	104 531
	Telephone	1 130 273	1 033 157
	Travel and subsistence	1 566 975	1 201 098
	Interim Valuation Costs	141 720	154 626
	Other	789 639	1 521 722
	General Expenses	10 630 441	9 341 010
	General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
34	CORRECTION OF ERROR IN TERMS OF GRAP 3		
34.1	Provisions		
	Balance previously reported		
	Pre-paid Electricity Sales	159 959	
	Transferred to Trade and Other Payables - refer notes 8 and 9	(159 959)	
	Total	-	
34.2	Trade and Other Payables		
	Balance previously reported		
	Transferred from Provisions - refer notes 8 and 9	-	
	Pre-paid Electricity Sales	159 959	
	Total	159 959	

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

34.3 Inventory

Balance previously reported	-
Housing Inventory Held for Transfer previously overstated	(67 440)
Land Held for Resale previously overstated	(438)
Total	(67 878)

34.4 Accumulated Surplus/(Deficit)

Balance previously reported	-
Housing Inventory Held for Transfer previously overstated	67 440
Land Held for Resale previously overstated	438
Investment Property previously understated	(25 380)
Intangible Assets at Cost previously overstated	1 084 039
Other Assets at Cost previously overstated	400 000
Intangible Assets Accumulated Depreciation previously overstated	(310 144)
Other Assets Accumulated Depreciation previously overstated	(180 000)
Long Term Receivables previously overstated	6 488
Total	1 042 880

34.5 Investment Property

Balance previously reported	-
Investment Property previously underdepreciated	25 380
Total	25 380

34.6 Long-Term Liabilities

Balance previously reported	-
Unamortised Discounts on Loans previously underdepreciated	1 490 799
Total	1 490 799

34.7 Accumulated Surplus/(Deficit)

Balance previously reported	-
Unamortised Discounts on Loans previously understated	(1 490 799)
Intangible Assets Accumulated Depreciation previously overstated	(299 551)
Other Assets Accumulated Depreciation previously overstated	(80 000)
Total	(1 870 349)

34.8 Intangible Assets

Balance previously reported	-
Intangible Assets at Cost previously overstated - 1 July 2008	(1 084 039)
Intangible Assets Accumulated Depreciation previously overstated - 1 July 2008	299 551
Intangible Assets Accumulated Depreciation previously overstated - 30 June 2009	310 578
Total	(473 910)

34.9 Property, Plant and Equipment

Balance previously reported	-
Other Assets at Cost previously overstated - 1 July 2008	(400 000)
Other Assets Accumulated Depreciation previously overstated - 1 July 2008	180 000
Other Assets Accumulated Depreciation previously overstated - 30 June 2009	80 000
Total	(140 000)

34.10 Long-Term Receivables

Balance previously reported	-
Long Term Receivables previously overstated	(6 488)
Total	(6 488)

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R		
35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS					
Surplus/(Deficit) for the year		15 035 009	36 073 209		
Adjustments for:					
Depreciation		13 259 532	10 579 504		
Amortisation of Intangible Assets		55 450	11 026		
(Gain)/Loss on disposal of property, plant and equipment		(176 201)	(268 003)		
Impairments		-	57 933		
Contribution from/to employee benefits - non-current		1 146 267	997 481		
Contribution from/to employee benefits - non-current - expenditure incurred		(780 894)	(545 541)		
Contribution from/to employee benefits - non-current - actuarial losses		3 040 884	88 388		
Contribution from/to employee benefits - non-current - actuarial gains		-	-		
Contribution to employee benefits - current		1 957 068	1 680 143		
Contribution to employee benefits - current - expenditure incurred		(1 337 166)	(1 292 841)		
Contribution to provisions - non-current		2 418 608	3 132 980		
Contribution to provisions - current		2 501 346	2 745 041		
Contribution to provisions - current - expenditure incurred		(2 745 041)	(2 187 280)		
Contribution to provisions - bad debt		4 351 086	-		
Unamortised discount - Interest - Expenditure		1 455 454	513 577		
Unamortised discount - Interest - Revenue		-	-		
Operating lease income accrued		(22 985)	23 614		
Operating lease expenses accrued		16 155	446		
Interest income		(2 290 753)	(3 098 215)		
Interest expense		3 206 436	3 267 117		
Operating Surplus/(Deficit) before changes in working capital		41 090 257	51 778 580		
Changes in working capital		(9 526 631)	(3 306 013)		
Increase in Trade and Other Payables		1 521 595	2 312 748		
(Decrease) in Unspent Conditional Government Grants and Receipts		(1 504 598)	(1 888 216)		
Increase in Taxes		460 347	781 296		
Decrease in Inventory		111 884	118 529		
Increase/(Decrease) in Trade Receivables from exchange transactions		(6 906 104)	(2 953 372)		
(Increase) in Other Receivables from non-exchange transactions		58 713	(655 371)		
(Increase) in Unpaid Conditional Government Grants and Receipts		(3 268 467)	(1 021 628)		
Cash generated/(absorbed) by operations		31 563 626	48 472 567		
		2010 R	2009 R		
36 CASH AND CASH EQUIVALENTS					
Cash and cash equivalents included in the cash flow statement comprise the following:					
Cash Floats - Note 19		5 750	5 750		
Bank - Note 19		5 690 677	9 721 495		
Total cash and cash equivalents		5 696 427	9 727 245		
		2010 R	2009 R		
37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES					
Cash and Cash Equivalents - Note 36		5 696 427	9 727 245		
Less:		5 696 427	9 727 245		
Unspent Committed Conditional Grants - Note 10		(2 337 700)	(4 016 457)		
Net cash resources available for internal distribution		(2 337 700)	(4 016 457)		
Allocated to:					
Capital Replacement Reserve		3 300 000	6 040 000		
Resources available for working capital requirements		58 727	(329 212)		
		2010 R	2009 R		
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION					
Long-term Liabilities - Note 3		36 718 928	24 929 875		
Used to finance property, plant and equipment - at cost		(36 718 928)	(24 929 875)		
Cash set aside for the repayment of long-term liabilities		-	-		
Cash invested for repayment of long-term liabilities		-	-		
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 6.75 % and 11.14 % and will be repaid by 2020.					
39 BUDGET COMPARISONS					
		2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
39.1 Operational					
Revenue by source					
Property Rates		17 157 089	20 160 000	(3 002 911)	-15%
Government Grants and Subsidies - Operating		56 344 528	28 377 120	27 967 408	99%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Fines	1 504 649	2 465 000	(960 351)	-39%
Service Charges	64 320 257	64 770 000	(449 743)	-1%
Rental of Facilities and Equipment	3 006 385	1 980 500	1 025 885	52%
Interest Earned - external investments	736 747	1 500 000	(763 253)	-51%
Interest Earned - outstanding debtors	1 554 005	2 100 000	(545 995)	-26%
Licences and Permits	9 522	61 000	(51 478)	-84%
Agency Services	1 945 559	2 101 500	(155 941)	-7%
Other Revenue	2 408 981	1 831 000	577 981	32%
Unamortised Discount - Interest	-	-	-	0%
	148 987 723	125 346 120	23 641 603	19%
Expenditure by nature				
Employee Related Costs	42 773 760	48 188 702	(5 414 942)	-11%
Remuneration of Councillors	3 228 052	3 621 000	(392 948)	-11%
Debt Impairment	4 351 086	1 000 000	3 351 086	335%
Collection Costs	58 983	110 000	(51 017)	-46%
Depreciation and Amortisation	13 314 982	13 947 300	(632 318)	-5%
Repairs and Maintenance	13 555 212	14 174 000	(618 788)	-4%
Unamortised Discount - Interest	1 455 454	-	1 455 454	100%
Actuarial losses	3 040 884	-	3 040 884	100%
Finance Charges	3 206 436	3 622 500	(416 064)	-11%
Bulk Purchases	30 760 233	29 800 000	960 233	3%
Contracted services	700 116	800 000	(99 884)	-12%
Grants and Subsidies	372 114	320 000	52 114	16%
Operating Grant Expenditure	6 681 162	5 283 715	1 397 447	26%
General Expenses	10 630 441	13 011 700	(2 381 259)	-18%
	134 128 915	133 878 917	249 998	0%
Other Gains/Losses				
Loss on Disposal of PPE	-	-	-	0%
Gains on Disposal of PPE	176 201	810 000	(633 799)	-78%
	176 201	810 000	(633 799)	-78%
Net Loss for the year	15 035 009	(7 722 797)	23 257 801	-301%

Details of material variances

Property Rates

Rebates on Property Taxes

Government Grants and Subsidies

Capital expenditure transferred to revenue not included

Fines

Camera contract not fully functional

Rental of Facilities and Equipment

Additional rental received

Interest Earned - external investments

Lower level of cash available

Interest Earned - outstanding debtors

Less debtors outstanding

Licences and Permits

Lower economical activities

Other Revenue

Additional sundry income received

Gains on Disposal of PPE

Lower economical activities

Employee Related Costs

Vacant post

Remuneration of Councillors

Pensioners medical aid transferred to provision

Debt Impairment

Additional provision for bad debt

Collection Costs

Various

Unamortised Discount - Interest

Accounting standard provision

Actuarial losses

Additional provision for medical aid and leave

Finance Charges

Lower interest rates

Contracted services

Various

Operating Grant Expenditure

Additional expenditure on projects

General Expenses

Saving on general expenses

Gains on Disposal of PPE

Economical decline

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
39.2 Expenditure by Vote				
Municipal Manager	(3 655 389)	(3 351 731)	(303 658)	9%
Mayor and Council	(5 522 119)	(6 212 230)	690 111	-11%
Economic Development/Planning	(1 806 446)	(3 881 890)	2 075 444	-53%
Tourism	(633 868)	(676 998)	43 130	-6%
Other Admin	(3 157 722)	(3 659 671)	501 949	-14%
Human Resources	(6 013 527)	(4 914 901)	(1 098 626)	22%
Property Services	(2 757 543)	(3 253 626)	496 083	-15%
Budget and Treasury Office	(16 535 806)	(11 281 322)	(5 254 484)	47%
Information Technology	(2 517 212)	(2 547 157)	29 945	-1%
Town Planning/Building Enforcement	(411 536)	(967 348)	555 812	-57%
Libraries and Archives	(1 925 708)	(2 115 229)	189 521	-9%
Community Halls and Facilities	(1 511 896)	(2 360 561)	848 665	-36%
Cemeteries & Crematoriums	(1 022 061)	(1 225 704)	203 643	-17%
Housing	(2 815 053)	(2 355 876)	(459 177)	19%
Other	(9 447 079)	(9 977 931)	530 852	-5%
Sport and Recreation	(5 726 475)	(5 763 774)	37 299	-1%
Biodiversity & Landscape	(202 499)	(303 255)	100 756	-33%
Solid Waste	(5 799 335)	(4 209 726)	(1 589 609)	38%
Sewerage	(6 959 665)	(7 240 116)	280 451	-4%
Storm Water Management	(2 205 535)	(2 636 742)	431 207	-16%
Roads	(8 180 620)	(6 660 960)	(1 519 660)	23%
Vehicle Licensing and Testing	(650 821)	(707 964)	57 143	-8%
Water Distribution	(9 426 580)	(11 361 934)	1 935 354	-17%
Electricity Distribution	(35 081 606)	(35 944 071)	862 465	-2%
Street Lighting	(162 816)	(268 200)	105 384	-39%
	(134 128 915)	(133 878 917)	(249 998)	0%

39.3 Capital expenditure by GFS

Executive & Council	247 860	460 000	(212 140)	-46%
Budget & Treasury	573 357	1 105 000	(531 643)	-48%
Corporate Services	6 885 534	7 525 000	(639 466)	-8%
Other: Tourism	39 216	50 000	(10 784)	-22%
Community & Social Services	250 722	240 000	10 722	4%
Housing	7 037 657	6 510 000	527 657	8%
Public Safety	529 428	670 000	(140 572)	-21%
Sport & Recreation	713 520	1 624 636	(911 116)	-56%
Waste Management	18 231 780	27 620 000	(9 388 220)	-34%
Road Transport	5 471 898	9 943 442	(4 471 544)	-45%
Water	597 927	5 420 000	(4 822 073)	-89%
Electricity	5 778 019	6 566 000	(787 981)	-12%
	46 356 918	67 734 078	(21 377 160)	-32%

Details of material variances

Executive & Council

NDPG project started late

Budget & Treasury

Project implementation not completed within time

Other: Tourism

Various

Public Safety

Various

Sport & Recreation

Availability of land for project

Waste Management

Project runs over two financial periods

Road Transport

Project runs over two financial periods

Water

Availability of land for project

Electricity

Various

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2010 R	2009 R
Opening balance	63 604 568	33 994 676
Unauthorised expenditure current year	(10 225 214)	29 609 892
Approved by Council or condoned	(63 604 568)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	(10 225 214)	63 604 568

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	[None]

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	2010 R	2009 R
40.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	—	—
	—	—

Incident	Disciplinary steps/criminal proceedings
<i>None</i>	<i>None</i>

	2010 R	2009 R
40.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	1 016 174	911 750
Irregular expenditure current year	10 340 631	104 424
Condoned or written off by Council	(1 016 174)	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	10 340 631	1 016 174
	—	—

Incident	Disciplinary steps/criminal proceedings
<i>Additional payments made to employees i.r.o. Essential Motor Scheme</i>	<i>None</i>
<i>Payments made to Ebenhazer Farm</i>	<i>None</i>

	2010 R	2009 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
41.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	44 230	44 230
Council subscriptions	231 912	150 165
Amount paid - current year	(276 142)	(150 165)
Balance unpaid (included in creditors)	—	44 230
	—	—

	2010 R	2009 R
41.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	899 422	734 210
Current year audit fee	899 422	734 210
External Audit - Auditor-General	(899 422)	(734 210)
Amount paid - current year	—	—
Balance unpaid (included in creditors)	—	—
	—	—

	2010 R	2009 R
41.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	1 176 349	2 211 271
Amounts received - current year	(3 864 565)	(7 252 238)
Amounts claimed - current year (payable)	4 241 996	6 217 316
Amounts paid - current year	49 240	—
Balance unpaid (included in taxes)	1 603 020	1 176 349
	—	—

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2010 R	2009 R
41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	—	286 188
Current year payroll deductions and Council Contributions	4 519 890	3 650 470
Amount paid - current year	(4 519 890)	(3 936 658)
Balance unpaid (included in creditors)	—	—
	—	—

	2010 R	2009 R
41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Current year payroll deductions and Council Contributions	7 590 645	7 482 650
Amount paid - current year	(7 590 645)	(7 482 650)
Balance unpaid (included in creditors)	—	—
	—	—

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:

	2010 R	2009 R
	Outstanding more than 90 days	Outstanding more than 90 days
P G Bok	-	-
I F Jolies	-	-
J Kriel	-	-
D D Jenner	-	-
S C S Beukes	-	-
M Cornelius	-	-
D S Goedeman	-	-
W D Loft	-	-
B Mantame	-	-
D Scholtz	-	-
G J van Wyk	-	-
M C Witbooi	-	-
J Smit	-	-
Total Councillor Arrear Consumer Accounts	-	-

41.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	202 810	-	-	-
Community Services	130 260	159 650	265 603	-
Financial Services	1 186 625	630 338	708 417	-
Technical Services	3 496 915	756 463	309 520	-
Planning & Development	83 198	-	-	-
Executive & Council	387 493	163 578	-	-
	5 487 301	1 710 029	1 283 540	-

41.8 Distribution Losses

Electricity distribution losses

Units purchased (Kwh)	73 215 842	71 995 761
Units sold (Kwh)	64 556 949	62 203 447
Units lost during distribution (Kwh)	8 658 893	9 792 314
Percentage lost during distribution	11.83%	13.60%

Water distribution losses

Units purchased (Kl)	3 764 100
Units sold (Kl)	2 965 081
Units lost during distribution (Kl)	799 019
Percentage lost during distribution	21.23%

42

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure	18 793 419	7 700 000
Community	18 289 261	7 200 000
Housing	-	500 000
Land and Buildings	464 051	-
	40 106	-

Approved but not yet contracted for:

Infrastructure	28 564 582	34 518 000
Community	2 810 264	1 080 000
Housing Development Fund	-	-
Investment Properties	-	-
Other	8 684 036	3 745 000

Total

	2010 R	2009 R
	40 058 882	39 343 000
	58 852 300	47 043 000

This expenditure will be financed from:

External Loans	8 653 420	6 093 442
Capital Replacement Reserve	9 413 300	6 040 000
Other Resources	9 470 000	4 563 000
Government Grants	31 315 580	30 346 558
	58 852 300	47 043 000

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

2010	2009
R	R

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2009 - 0.5%) Increase in interest rates	(141 029)	(260 290)
0.5% (2009 - 0.5%) Decrease in interest rates	141 029	520 579

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	738 902	769 874
Trade receivables and other receivables	23 048 306	20 552 000
Cash and Cash Equivalents	5 696 427	9 727 245
Unpaid conditional grants and subsidies	7 284 925	4 016 458
	<hr style="border: 1px solid black; border-top: none; border-bottom: 1px solid black; margin: 0; padding: 0;"/>	<hr style="border: 1px solid black; border-top: none; border-bottom: 1px solid black; margin: 0; padding: 0;"/>
	36 768 560	35 065 577

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

		2010 R	2009 R
44 FINANCIAL INSTRUMENTS			
In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
The fair value of financial instruments approximates the amortised costs as reflected below.			
44.1 Financial Assets	Classification		
Long-term Receivables			
Housing Selling Schemes	Loans and Receivables	738 902	769 874
Consumer Debtors			
Trade receivables from exchange transactions	Loans and Receivables	21 896 403	19 341 384
Other receivables from non-exchange transactions	Loans and Receivables	1 151 903	1 210 616
Current Portion of Long-term Receivables			
Housing Selling Schemes	Loans and Receivables	25 950	30 972
Bank Balances and Cash			
Bank Balances	Loans and Receivables	5 690 677	9 721 495
Cash Floats and Advances	Loans and Receivables	5 750	5 750
		29 509 585	31 080 092
SUMMARY OF FINANCIAL ASSETS			
Loans and Receivables		29 509 585	31 080 092
		2010 R	2009 R
44 FINANCIAL INSTRUMENTS (CONTINUE)			
44.2 Financial Liability	Classification		
Long-term Liabilities			
Annuity Loans	At amortised cost	36 718 928	24 929 875
Trade Payables			
Trade creditors	At amortised cost	3 193 987	3 073 047
Retentions	At amortised cost	1 882 891	1 394 529
Deposits	At amortised cost	500 712	512 559
Pre-paid Electricity	At amortised cost	241 367	159 959
Sundry creditors	At amortised cost	6 027 024	5 073 685
Payments received in advance	At amortised cost	661 170	771 776
Unspent Conditional Grants and Receipts			
Other Spheres of Government	At amortised cost	2 337 700	3 842 298
		51 563 779	39 757 729

**MATZIKAMA
MUNICIPALITY**

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

SUMMARY OF FINANCIAL LIABILITIES

At amortised cost	<u>51 563 779</u>	<u>39 757 729</u>
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45 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2009/2010.

46 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

47 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

48 CONTINGENT LIABILITY

Possible claim against Council of +/- R 350 000 may occur.

49 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

49.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 14 to the Annual Financial Statements.

49.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

50 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

50.1 GRAP 17 Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. Provisional amounts are set at R 0.00 as it might have an effect on other classes of assets such as Investment Properties, Intangible Assets or Inventory. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land
 Small asset items below a R5 000 threshold previously expensed
 Property, Plant and Equipment financed by way of finance leases
 Property, Plant and Equipment financed by way of provisions
 Property, Plant and Equipment transferred as a result of the transfer of functions
 Componentised infrastructure assets.

The municipality is currently in a process of measuring all Property, Plant and Equipment and have it measured in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

**MATZIKAMA
MUNICIPALITY**

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost Under Construction	Disposals R	Closing Balance R	Opening Balance R
Land and Buildings	15 738 159	7 105 701	6 942 522	-	29 786 382	3 699 739
Land	2 901 788	-	-	-	2 901 788	26 110
Buildings	12 836 371	7 105 701	6 942 522	-	26 884 594	3 673 629
Infrastructure	165 285 530	10 717 755	15 942 585	-	191 945 870	51 304 033
Drains	11 825 632	-	3 457 415	-	15 283 047	2 349
Roads and Streets	48 360 039	3 237 219	340 626	-	51 937 884	14 956 057
Beach Improvements	-	-	-	-	-	-
Sewerage Mains and Purification	33 514 124	4 100 659	10 178 248	-	47 793 031	10 464 882
Electricity Mains	21 831 545	2 574 321	-	-	24 405 866	5 194 182
Electricity Peak Load Equipment	2 973 714	148 891	-	-	3 122 605	1 215 614
Water Mains & Purification	1 503 063	9 920	-	-	1 512 983	912 871
Water Reservoirs	9 810 120	-	-	-	9 810 120	2 610 219
Water Meters	730 420	27 850	-	-	758 270	231 310
Water Mains	34 678 900	618 895	1 966 296	-	37 264 091	15 683 792
Landfill Sites	57 973	-	-	-	57 973	32 757
Community Assets	12 972 981	358 181	-	-	13 331 162	3 877 467
Parks and Gardens	757 278	-	-	-	757 278	111 502
Libraries	360 361	-	-	-	360 361	126 008
Recreation Grounds	5 363 486	358 181	-	-	5 721 667	1 985 135
Civic Buildings	6 491 856	-	-	-	6 491 856	1 654 822
Lease Assets	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-
Heritage Assets	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Other Assets	24 498 854	5 290 174	-	-	29 789 028	13 580 015

**MATZIKAMA
MUNICIPALITY**

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Office Equipment	9 276 496	1 125 216	-	-	10 401 712	5 267 654
Furniture & Fittings	630 904	233 908	-	-	864 812	168 052
Bins and Containers	26 820	-	-	-	26 820	20 358
Emergency Equipment	1 953 415	1 045 076	-	-	2 998 491	1 126 481
Motor Vehicles	7 240 826	2 313 782	-	-	9 554 608	3 529 005
Fire Engines	1 327 266	-	-	-	1 327 266	381 912
Refuse Tankers	4 043 127	572 192	-	-	4 615 319	3 086 553
Computer Equipment	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-
Water Crafts	-	-	-	-	-	-
	218 495 524	23 471 811	22 885 107	-	264 852 442	72 461 254

MATZIKAMA
MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Accumulated Depreciation		Carrying Value	
Additions R	Disposals R	Closing Balance R	R
708 473	-	4 408 212	25 378 170
12 825	-	38 935	2 862 853
695 648	-	4 369 277	22 515 317
9 151 717	-	60 455 750	131 490 120
6 402	-	8 751	15 274 296
3 277 536	-	18 233 593	33 704 291
-	-	-	-
2 279 562	-	12 744 444	35 048 587
1 179 586	-	6 373 768	18 032 098
189 555	-	1 405 169	1 717 436
81 452	-	994 323	518 660
490 505	-	3 100 724	6 709 396
40 166	-	271 476	486 794
1 604 593	-	17 288 385	19 975 706
2 360	-	35 117	22 856
477 568	-	4 355 035	8 976 127
8 229	-	119 731	637 547
10 812	-	136 820	223 541
242 355	-	2 227 490	3 494 177
216 172	-	1 870 994	4 620 862
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2 921 774	-	16 501 789	13 287 239

**MATZIKAMA
MUNICIPALITY**

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 205 784	-	6 473 438	3 928 274
138 298	-	306 350	558 462
2 682	-	23 040	3 780
207 257	-	1 333 738	1 664 753
867 566	-	4 396 571	5 158 037
103 969	-	485 881	841 385
396 218	-	3 482 771	1 132 548
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
13 259 532	-	85 720 786	179 131 656

APPENDIX A - Unaudited
MATZIKAMA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
ANNUITY LOANS							
DBSA - Water	10.00%	10096	2015	1 140 688	-	146 974	993 713
DBSA - Capital Works 2002	7.68%	100035	2012	1 233 592	-	361 979	871 613
DBSA - Capital Works 2003/2004	10.80%	101025	2014	2 941 158	-	471 609	2 469 550
DBSA - Capital Works 2004/2005	9.92%	101953	2015	2 651 920	-	342 419	2 309 501
DBSA - Capital Works 2007/2008	8.19%	102857	2018	4 000 000	-	444 444	3 555 556
DBSA - Infrastructure 1	6.75%	103143 (1)	2018	1 452 009	-	184 236	1 267 773
DBSA - Infrastructure 2	6.75%	103143 (2)	2018	2 265 591	-	176 232	2 089 359
DBSA - Infrastructure 2	11.14%	103749	2020	-	15 000 000	-	15 000 000
INCA - Water and Sewerage	9.75%	3156	2015	2 282 130	-	293 567	1 988 562
ABSA - Water Scheme	9.77%	40-6255-0510	2015	2 132 978	-	274 987	1 857 991
ABSA - Capital Works 2005/2006	9.15%	40-6512-9293	2016	2 825 310	-	307 015	2 518 296
ABSA - Capital Works 2008/2009	prime - 2%	40-7292-9600	2018	2 004 500	-	207 486	1 797 014
Total Annuity Loans				24 929 875	15 000 000	3 210 947	36 718 928
LEASE LIABILITY							
Total Lease Liabilities				-	-	-	-
TOTAL EXTERNAL LOANS				24 929 875	15 000 000	3 210 947	36 718 928

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	2 901 788	-	-	-	2 901 788	26 110	12 825	-	38 935	2 862 853
Buildings	12 836 371	7 105 701	6 942 522	-	26 884 594	3 673 629	695 648	-	4 369 277	22 515 317
	15 738 159	7 105 701	6 942 522	-	29 786 382	3 699 739	708 473	-	4 408 212	25 378 170
Infrastructure										
Drains	11 825 632	-	3 457 415	-	15 283 047	2 349	6 402	-	8 751	15 274 296
Roads and Streets	48 360 039	3 237 219	340 626	-	51 937 884	14 956 057	3 277 536	-	18 233 593	33 704 291
Beach Improvements	-	-	-	-	-	-	-	-	-	-
Sewerage Mains and Purification	33 514 124	4 100 659	10 178 248	-	47 793 031	10 464 882	2 279 562	-	12 744 444	35 048 586
Electricity Mains	21 831 545	2 574 321	-	-	24 405 866	5 194 182	1 179 586	-	6 373 768	18 032 098
Electricity Peak Load Equipment	2 973 714	148 891	-	-	3 122 605	1 215 614	189 555	-	1 405 169	1 717 436
Water Mains and Purification	1 503 063	9 920	-	-	1 512 983	912 872	81 452	-	994 324	518 659
Water Reservoirs	9 810 120	-	-	-	9 810 120	2 610 219	490 505	-	3 100 723	6 709 397
Water Meters	730 420	27 850	-	-	758 270	231 310	40 166	-	271 477	486 793
Water Mains	34 678 900	618 895	1 966 296	-	37 264 092	15 683 792	1 604 593	-	17 288 384	19 975 707
Landfill Sites	57 973	-	-	-	57 973	32 757	2 360	-	35 117	22 856
	165 285 530	10 717 755	15 942 585	-	191 945 870	51 304 033	9 151 717	-	60 455 750	131 490 119
Community Assets										
Recreation Grounds	5 363 486	358 181	-	-	5 721 667	1 985 135	242 355	-	2 227 491	3 494 177
Libraries	360 361	-	-	-	360 361	126 008	10 812	-	136 819	223 542
Parks & Gardens	757 278	-	-	-	757 278	111 502	8 229	-	119 731	637 547
Civic Buildings	6 491 856	-	-	-	6 491 856	1 654 822	216 172	-	1 870 994	4 620 862
	12 972 981	358 181	-	-	13 331 162	3 877 467	477 568	-	4 355 035	8 976 127
Heritage Assets										
Total carried forward	193 996 670	18 181 637	22 885 107	-	235 063 414	58 881 239	10 337 757	-	69 218 997	165 844 417

APPENDIX B - Unaudited
MATZIKAMA MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	193 996 670	18 181 637	22 885 107	-	235 063 414	58 881 239	10 337 757	-	69 218 997	165 844 417
Other Assets										
Office Equipment	9 276 496	1 125 216	-	-	10 401 712	5 267 654	1 205 784	-	6 473 438	3 928 274
Furniture and Fittings	630 904	233 908	-	-	864 812	168 052	138 297	-	306 349	558 463
Bins and Containers	26 820	-	-	-	26 820	20 358	2 682	-	23 040	3 780
Emergency Equipment	1 953 415	1 045 076	-	-	2 998 491	1 126 481	207 257	-	1 333 738	1 664 752
Motor Vehicles	7 240 826	2 313 782	-	-	9 554 608	3 529 005	867 567	-	4 396 572	5 158 036
Refuse Tankers	1 327 266	-	-	-	1 327 266	381 912	103 969	-	485 881	841 385
Computer Equipment	4 043 127	572 192	-	-	4 615 319	3 086 553	396 218	-	3 482 771	1 132 548
	24 498 854	5 290 174	-	-	29 789 028	13 580 015	2 921 774	-	16 501 789	13 287 239
Total Property, Plant and Equipment	218 495 524	23 471 811	22 885 107	-	264 852 442	72 461 254	13 259 532	-	85 720 786	179 131 656

APPENDIX C - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	707 020	69 853	178 007	-	954 880	113 430	48 558	-	161 988	792 892
Budget and Treasury	4 202 313	573 357	-	-	4 775 670	2 525 126	572 464	-	3 097 590	1 678 080
Corporate Services	8 185 660	6 885 534	-	-	15 071 195	2 273 511	309 365	-	2 582 877	12 488 318
Planning & Development	20 723	-	-	-	20 723	9 180	4 144	-	13 324	7 399
Health	959 855	-	-	-	959 855	310 039	31 995	-	342 034	617 821
Community and Social Services	6 881 213	250 722	-	-	7 131 935	1 933 106	308 194	-	2 241 300	4 890 635
Housing	898 744	134 266	6 903 391	-	7 936 401	47 433	30 291	-	77 724	7 858 677
Public Safety	3 317 532	529 428	-	-	3 846 960	1 637 383	159 914	-	1 797 297	2 049 663
Sport & Recreation	11 582 746	713 520	-	-	12 296 266	3 722 990	701 823	-	4 424 813	7 871 453
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	5 381 591	5 770 817	12 460 962	-	23 613 371	2 237 810	568 657	-	2 806 467	20 806 904
Waste Water Management	46 964 212	-	-	-	46 964 212	12 256 950	2 562 223	-	14 819 173	32 145 039
Road Transport	53 168 472	5 193 967	277 931	-	58 640 370	17 157 637	3 994 763	-	21 152 400	37 487 970
Water	42 598 595	118 497	479 430	-	43 196 522	19 741 944	2 085 254	-	21 827 198	21 369 324
Electricity	33 502 640	3 192 633	2 585 386	-	39 280 659	8 434 186	1 861 464	-	10 295 650	28 985 010
Other: Tourism	124 208	39 216	-	-	163 424	60 529	20 423	-	80 952	82 472
	218 495 524	23 471 812	22 885 107	-	264 852 442	72 461 254	13 259 532	-	85 720 786	179 131 656

APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
874 464	(2 810 901)	(1 936 437)	Municipal Manager	1 537 474	(3 655 389)	(2 117 916)
718 149	(4 321 860)	(3 603 711)	Mayor and Council	563 348	(5 522 119)	(4 958 771)
372 744	(826 724)	(453 980)	Economic Development/Planning	1 001 457	(1 806 446)	(804 988)
-	(543 978)	(543 978)	Tourism	-	(633 868)	(633 868)
31 501	(5 439 855)	(5 408 354)	Other Admin	187 858	(3 157 722)	(2 969 864)
100 741	(3 185 995)	(3 085 254)	Human Resources	164 960	(6 013 527)	(5 848 567)
380 420	(3 136 949)	(2 756 529)	Property Services	645 266	(2 757 543)	(2 112 276)
69 291 713	(8 573 542)	60 718 172	Budget and Treasury Office	62 796 912	(16 535 806)	46 261 107
-	(1 896 800)	(1 896 800)	Information Technology	-	(2 517 212)	(2 517 212)
512 087	(981 271)	(469 185)	Town Planning/Building Enforcement	166 595	(411 536)	(244 941)
362 297	(1 844 079)	(1 481 781)	Libraries and Archives	401 680	(1 925 708)	(1 524 029)
398 692	(1 261 106)	(862 415)	Community Halls and Facilities	454 216	(1 511 896)	(1 057 680)
355 858	(883 570)	(527 712)	Cemeteries & Crematoriums	396 540	(1 022 061)	(625 521)
21 579 788	(21 579 788)	-	Housing	2 471 769	(2 815 053)	(343 283)
2 637 404	(7 429 892)	(4 792 487)	Other	1 498 017	(9 447 079)	(7 949 062)
1 408 366	(4 350 427)	(2 942 061)	Sport and Recreation	1 709 310	(5 726 475)	(4 017 164)
2 135	(292 024)	(289 889)	Biodiversity & Landscape	3 498	(202 499)	(199 001)
5 497 244	(6 585 475)	(1 088 231)	Solid Waste	7 042 545	(5 799 335)	1 243 209
9 941 413	(5 695 050)	4 246 363	Sewerage	11 399 423	(6 959 665)	4 439 758
-	(2 624 662)	(2 624 662)	Storm Water Management	-	(2 205 535)	(2 205 535)
78 306	(4 117 936)	(4 039 629)	Roads	99 975	(8 180 620)	(8 080 644)
3 702 376	(561 773)	3 140 603	Vehicle Licensing and Testing	2 417 784	(650 821)	1 766 963
8 910 766	(9 204 086)	(293 320)	Water Distribution	10 529 855	(9 426 580)	1 103 274
32 618 574	(27 431 730)	5 186 844	Electricity Distribution	43 603 867	(35 081 606)	8 522 261
120 914	(113 620)	7 294	Street Lightning	71 574	(162 816)	(91 241)
159 895 952	(125 693 093)	34 202 860	Sub Total	149 163 923	(134 128 915)	15 035 009
-	-	-	Less Inter-Departmental Charges	-	-	-
159 895 952	(125 693 093)	34 202 860	Total	149 163 923	(134 128 915)	15 035 009

APPENDIX D - Unaudited
MATZIKAMA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
1 592 613	(7 132 761)	(5 540 148)	Executive and Council	2 100 822	(9 329 036)	(7 228 214)
63 344 418	(7 915 408)	55 429 010	Budget and treasury office	56 320 366	(14 576 872)	41 743 494
6 459 957	(14 317 733)	(7 857 775)	Corporate Services	7 474 630	(16 404 937)	(8 930 307)
884 831	(1 866 150)	(981 319)	Planning & Development	1 168 053	(2 258 277)	(1 090 224)
-	(485 824)	(485 824)	Other	-	(593 573)	(593 573)
1 116 847	(3 988 755)	(2 871 908)	Community & Social Services	1 252 435	(4 308 138)	(3 055 702)
21 579 788	(21 579 788)	-	Housing	2 471 769	(2 815 053)	(343 283)
2 624 046	(2 854 156)	(230 111)	Public Safety	1 492 766	(3 899 769)	(2 407 004)
1 408 366	(4 350 427)	(2 942 061)	Sport & Recreation	1 709 310	(5 726 475)	(4 017 164)
2 135	(292 024)	(289 889)	Environmental Protection	3 498	(202 499)	(199 001)
5 503 840	(6 741 322)	(1 237 482)	Waste Management	7 060 833	(5 927 624)	1 133 208
9 934 816	(5 586 491)	4 348 325	Waste Water Management	11 381 135	(6 851 030)	4 530 105
3 794 041	(11 832 817)	(8 038 776)	Road Transport	2 523 011	(16 564 631)	(14 041 620)
8 910 766	(9 204 086)	(293 320)	Water	10 529 855	(9 426 580)	1 103 274
32 739 488	(27 545 350)	5 194 138	Electricity	43 675 441	(35 244 421)	8 431 019
159 895 952	(125 693 093)	34 202 860	Sub Total	149 163 923	(134 128 915)	15 035 009
-	-	-	Less Inter-Departmental Charges	-	-	-
159 895 952	(125 693 093)	34 202 860	Total	149 163 923	(134 128 915)	15 035 009

APPENDIX E(1) - Unaudited
MATZIKAMA MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	17 157 089	20 160 000	(3 002 911)	-14.90%	Rebates on Property Taxes
Government Grants and Subsidies	56 344 528	28 377 120	27 967 408	98.56%	Capital expenditure transferred to revenue not included
Fines	1 504 649	2 465 000	(960 351)	-38.96%	Camera contract not fully functional
Service Charges	64 320 257	64 770 000	(449 743)	-0.69%	
Rental of Facilities and Equipment	3 006 385	1 980 500	1 025 885	51.80%	Additional rental received
Interest Earned - External Investments	736 747	1 500 000	(763 253)	-50.88%	Lower level of cash available
Interest Earned - Outstanding Debtors	1 554 005	2 100 000	(545 995)	-26.00%	Less debtors outstanding
Licences and Permits	9 522	61 000	(51 478)	-84.39%	Lower economical activities
Agency Services	1 945 559	2 101 500	(155 941)	-7.42%	
Other Revenue	2 408 981	1 831 000	577 981	31.57%	Additional sundry income received
Unamortised Discount - Interest	1	-	1	0.00%	
Gains on Disposal of PPE	176 201	810 000	(633 799)	-78.25%	Lower economical activities
Total Revenue	149 163 924	126 156 120	23 007 804	-	
EXPENDITURE					
Municipal Manager	(3 655 389)	(3 351 731)	(303 658)	9.06%	
Mayor and Council	(5 522 119)	(6 212 230)	690 111	-11.11%	Pensioners medical aid transferred to provision
Economic Development/Planning	(1 806 446)	(3 881 890)	2 075 444	-53.46%	DMR Projects not approved
Tourism	(633 868)	(676 998)	43 130	-6.37%	
Other Admin	(3 157 722)	(3 659 671)	501 949	-13.72%	Savings on vacant posts
Human Resources	(6 013 527)	(4 914 901)	(1 098 626)	22.35%	Additional provision for leave and post retirement medical aid
Property Services	(2 757 543)	(3 253 626)	496 083	-15.25%	
Budget and Treasury Office	(16 535 806)	(11 281 322)	(5 254 484)	46.58%	Provision for bad debts increased
Information Technology	(2 517 212)	(2 547 157)	29 945	-1.18%	
Town Planning/Building Enforcement	(411 536)	(967 348)	555 812	-57.46%	Zoning scheme not completed
Libraries and Archives	(1 925 708)	(2 115 229)	189 521	-8.96%	
Community Halls and Facilities	(1 511 896)	(2 360 561)	848 665	-35.95%	Various
Cemeteries & Crematoriums	(1 022 061)	(1 225 704)	203 643	-16.61%	Various
Housing	(2 815 053)	(2 355 876)	(459 177)	19.49%	Top structures
Other	(9 447 079)	(9 977 931)	530 852	-5.32%	
Sport and Recreation	(5 726 475)	(5 763 774)	37 299	-0.65%	
Biodiversity & Landscape	(202 499)	(303 255)	100 756	-33.22%	Various
Solid Waste	(5 799 335)	(4 209 726)	(1 589 609)	37.76%	Provision for landfill sites
Sewerage	(6 959 665)	(7 240 116)	280 451	-3.87%	
Storm Water Management	(2 205 535)	(2 636 742)	431 207	-16.35%	Various
Roads	(8 180 620)	(6 660 960)	(1 519 660)	22.81%	Various
Vehicle Licensing and Testing	(650 821)	(707 964)	57 143	-8.07%	
Water Distribution	(9 426 580)	(11 361 934)	1 935 354	-17.03%	Lower bulk water consumption
Electricity Distribution	(35 081 606)	(35 944 071)	862 465	-2.40%	
Street Lightning	(162 816)	(268 200)	105 384	-39.29%	Increase in electricity prices
Total Expenditure	(134 128 915)	(133 878 917)	(249 998)	-	
SURPLUS / (DEFICIT) FOR THE YEAR	15 035 010	(7 722 797)	22 757 807	-	

**APPENDIX E(1) - Unaudited
MATZIKAMA MUNICIPALITY
REVENUE AND EXPENDITURE**
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	17 157 089	20 160 000	(3 002 911)	-14.90%	Rebates on Property Taxes
Government Grants and Subsidies	56 344 528	28 377 120	27 967 408	98.56%	Capital expenditure transferred to revenue not included
Fines	1 504 649	2 465 000	(960 351)	-38.96%	Cameral contract not fully functional
Service Charges	64 320 257	64 770 000	(449 743)	-0.69%	
Rental of Facilities and Equipment	3 006 385	1 980 500	1 025 885	51.80%	Additional rental received
Interest Earned - External Investments	736 747	1 500 000	(763 253)	-50.88%	Lower level of cash available
Interest Earned - Outstanding Debtors	1 554 005	2 100 000	(545 995)	-26.00%	Less debtors outstanding
Licences and Permits	9 522	61 000	(51 478)	-84.39%	Lower economical activities
Agency Services	1 945 559	2 101 500	(155 941)	-7.42%	
Other Revenue	2 408 981	1 831 000	577 981	31.57%	Additional sundry income received
Unamortised Discount - Interest	-	-	-	0.00%	Accounting provision
Gains on Disposal of PPE	176 202	810 000	(633 798)	-78.25%	Lower economical activities
Total Revenue	149 163 924	126 156 120	23 007 804	-	
EXPENDITURE					
Executive & Council	(9 329 036)	(9 963 961)	634 925	-6.37%	
Budget & Treasury	(14 576 872)	(10 421 801)	(4 155 071)	39.87%	Provision for bad debts increased
Corporate Services	(16 404 937)	(15 234 876)	(1 170 061)	7.68%	
Planning & Development	(2 258 277)	(4 899 238)	2 640 961	-53.91%	Various
Other	(593 573)	(626 998)	33 425	-5.33%	
Community & Social Services	(4 308 138)	(5 301 494)	993 356	-18.74%	Various
Housing	(2 815 053)	(2 355 876)	(459 177)	19.49%	Various
Public Safety	(3 899 769)	(5 251 532)	1 351 763	-25.74%	Various
Sport & Recreation	(5 726 475)	(5 763 774)	37 299	-0.65%	
Environmental Protection	(202 499)	(303 255)	100 756	-33.22%	Various
Waste Management	(5 927 624)	(4 283 042)	(1 644 582)	38.40%	Additional provision for rehabilitation
Waste Water Management	(6 851 030)	(7 186 449)	335 419	-4.67%	
Road Transport	(16 564 631)	(14 712 416)	(1 852 215)	12.59%	Additional depreciation
Water	(9 426 580)	(11 361 934)	1 935 354	-17.03%	Lower bulk water consumption
Electricity	(35 244 421)	(36 212 271)	967 850	-2.67%	
Less: Interdepartmental Charges	-	-	-	0.00%	
Total Expenditure	(134 128 915)	(133 878 917)	(249 998)	-	
SURPLUS / (DEFICIT) FOR THE YEAR	15 035 010	(7 722 797)	22 757 807	-	

APPENDIX E (2) - Unaudited
MATZIKAMA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010	2010	2010	2010	2010	2010	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance %	
	R	R	R	R	R	%	
Executive & Council	69 853	178 007	247 860	460 000	(212 140)	-46.12%	NDPG project started late
Budget & Treasury	573 357	-	573 357	1 105 000	(531 643)	-48.11%	Project implementation not completed within time
Corporate Services	6 885 534	-	6 885 534	7 525 000	(639 466)	-8.50%	
Community & Social Services	250 722	-	250 722	240 000	10 722	4.47%	
Housing	134 266	6 903 391	7 037 657	6 510 000	527 657	8.11%	
Public Safety	529 428	-	529 428	670 000	(140 572)	-20.98%	Various
Sport & Recreation	713 520	-	713 520	1 624 636	(911 116)	-56.08%	Availability of land for project
Waste Management	5 770 817	12 460 962	18 231 780	27 620 000	(9 388 220)	-33.99%	Project runs over two financial periods
Road Transport	5 193 967	277 931	5 471 898	9 943 442	(4 471 544)	-44.97%	Project runs over two financial periods
Water	118 497	479 430	597 927	5 420 000	(4 822 073)	-88.97%	Availability of land for project
Electricity	3 192 633	2 585 386	5 778 019	6 566 000	(787 981)	-12.00%	Project delayed due to Eskom connectivity
Other: Tourism	39 216	-	39 216	50 000	(10 784)	-21.57%	Various
Total	23 471 812	22 885 107	46 356 918	67 734 078	(21 377 160)	-31.56%	

APPENDIX F - Unaudited
MATZIKAMA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010	Unspent 30 JUNE 2010 (Creditor)	Unpaid 30 JUNE 2010 (Debtor)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
	R	R	R	R	R	R	R	R	R
MIG	-	11 054 000	-	-	-	(11 213 794)	(159 794)	-	(159 794)
DOW: Vanrhynsdorp	(3 173 720)	5 617 463	-	-	-	(3 018 836)	(575 093)	-	(575 093)
MSIG	(141 484)	750 000	-	-	(944 999)	(343 897)	(680 380)	-	(680 380)
Sport Doringbaai	274 636	-	-	-	-	-	274 636	274 636	-
Lotto	(677 046)	-	-	-	-	-	(677 046)	-	(677 046)
Financial Management Grant	347 990	1 000 000	-	-	(1 799 088)	-	(451 098)	-	(451 098)
Food Security	121 344	-	-	-	(121 344)	-	-	-	-
Taxi Terminus	77 851	91 000	-	-	(91 000)	(77 851)	-	-	-
Masibambane Centre	153 330	-	-	-	(153 330)	-	-	-	-
Namakwa Sands	(24 208)	816 854	-	-	-	(792 647)	-	-	-
Flood Damages	1 883 032	797 488	-	-	-	(2 680 520)	-	-	-
Housing Consumer Education	52 632	30 000	-	-	(56 115)	-	26 517	26 517	-
Hoodia Project	175 237	-	-	-	(198 750)	-	(23 513)	-	(23 513)
Sport & Recreation Facilities	269 298	-	-	-	-	(269 298)	-	-	-
DWAF - Masibane Projects	78 947	260 000	-	-	(338 947)	-	-	-	-
West Coast Community Trust	408 000	-	-	-	(151 528)	-	256 472	256 472	-
Neighbourhood Development	-	400 000	-	-	-	(178 007)	221 993	221 993	-
Library Services	-	381 000	-	-	(381 000)	-	-	-	-
Prov. CDW's	-	192 000	-	-	(192 000)	-	-	-	-
Department of Mineral Resources	-	3 032 000	-	-	-	(1 513 448)	1 518 552	1 518 552	-
Housing	-	8 959 187	-	-	(2 157 978)	(6 801 209)	-	-	-
Local Gov. Master Planning	-	-	-	-	-	-	-	-	-
Equitable Share	-	17 346 236	-	-	(22 064 236)	-	(4 718 000)	-	(4 718 000)
Aaltech Autopage Cellular	-	2 000	-	-	-	(2 000)	-	-	-
Doringbaai Lobster Holdings	-	842 236	-	-	(802 707)	-	39 529	39 529	-
Total	(174 162)	51 571 465	-	-	(29 453 022)	(26 891 506)	(4 947 225)	2 337 700	(7 284 925)